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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER COMPANY FOR
A DETERMINATION OF THE FAIR VALUE OF
ITS SEWER UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES.

DOCKET NO. WS-03478A-08-0454

NOTICE OF FILING

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") files this letter which was received by Staff but noticed that it was addressed to the Commission.

RESPECTFULLY SUBMITTED this 28th day of March, 2011.

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Original and thirteen (13) copies of the foregoing were filed this 28th day of March, 2011 with:

Docket Control
Arizona Corporation Commission
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Phoenix, Arizona 85007

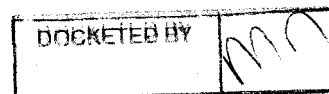
Arizona Corporation Commission

DOCKETED

MAR 28 2011

Copies of the foregoing were mailed this 28th day of March, 2011 to:

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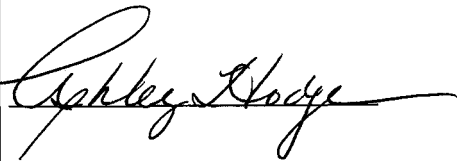
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March 25 2011

To: Arizona Corporation Commission

From: Robert Rist, Intervenor

Subject: Far West Water & Sewer

Docket No: WS-03478A-08-0454

I am writing this letter to hopefully express how disappointed the users of Far West Water and sewer are with the process that has taken place over the last 2+ years. Far West has had incompetent management most of its existence. It resulted in two unfortunate and unneeded deaths, which brought down the wrath of God from agencies such as OSHA, ADEQ, and Arizona Attorney General. Since then ADEQ made inspections and found violations in every plant that they operate. A consent order resulted in major upgrades being required. Then F.W.W.S. Ask for a 250 % rate increase and awakened a sleeping giant in the local users.

Because the Emergency rate increase was denied and the rate stayed stable, most rate payers consider it "Out of sight out of mind", except for the users who live near the plants and pump stations that continually smell or have sewage backups, spilling sewage onto streets or into stormwater detention basins. Those who live near Palm Shadows plant can only hope for the wind to blow from the north so that the smell goes out to the bombing range. If the wind is in your direction, it has been smelled as far as 3 miles or more away. Palm Shadows was designed and built by the engineer that built the sub-divisions that they serve. It is now obvious that he cut corners or made fraudulent reports to ADEQ, and nobody apparently checked. Now we know that the plant is built on clay which won't percolate water, and that was the primary way disposal of the water was to occur. At the time of the deaths this engineer was also president of Far West Water and Sewer. When it became evident that the plant would not percolate water into the ground, they then constructed 4 more ponds, which they did not have permits to build. The ponds also violate the 150 foot setback requirement for open structures of the plant and residential property.

Now they have been ordered to decommission that plant, which we users have paid for, and expand another plant to accommodate the sewage from this plant. So we are being asked to pay twice for their stupid mistakes. Mr. Capestro admits he does not have experience, so depends on what the engineers tell him. While the engineers may be right, Mr. Capestro leaves the company and rate payers wide open for being sold a bill of goods. My understanding is that the current engineering firm charges a 10% commission on the cost of the project. This encourages putting in things not needed, and gives no incentive to keep cost overruns down.

While I have not seen the layout of all the plants, I do feel some of the design falls short, and qualified management would have, or should have said NO.

1. The new lift station coming into section 14 and at Palm Shadows will be submersible pumps. These are confined spaces, which are dangerous and make it very difficult to service the pumps.
2. A very expensive computer program was purchased, which is suppose to track and schedule maintenance on equipment and the collection system. While I don't disagree with having a maintenance program, this gold plated program was not needed, and

certainly not at a time when the bills could not be paid. They argue that maps of the system were needed in order to design the system. I say asbuilt maps should have been made at the time the sewers were put in the ground. AS far as maintenance goes, the frequency of spills does not indicate maintenance is getting done. When I read the response to question of the sewer spills, it is justified as normal frequency for spills, and the reason given appears to be all mechanical or electrical.

Did the litigation brought by ADEQ and Arizona AG do any good? Well not from my point of view. They got a big hefty fine, which I'm not convinced the rate payer won't end up paying, and the crime that they settled is still being committed. That's like settling with a robber when he is still taking stuff out of your house. All during the litigation all we got was one delay after another, they just kept saying they had a loan coming. And they got away with it. After settlement they suddenly were able to infuse a million dollars into the company and some construction began again. Now we are getting delays again, telling us someone is going to invest in preferred stock of the company. We have no idea if these investors are wishful thinking, just as the loans were. My view is that a complete building moratorium is needed in the Foothills area. The stockholders of this company are the major developer in this area. H&S developers are selling lots at their Rancho Encatado sub-division. At this time last year they testified that only 5 lots had been sold, now it is close to 40 lots sold and many are developed. Our understanding was sewage from this development was to go to the Marwood plant, which is already at capacity. Current flow was to be diverted from Marwood to the Section 14 plant when it is completed. **Why are lots being sold now?**

Does Far West have qualified competent personnel? Mr. Capestro and Mr Marks have made the point on several occasions that they have fully certified people. I won't argue with the certification they hold, however they may or may not be competent. Just as my drivers license does not necessarily mean I am a good driver. For now I assume the operators are competent. Where I believe there is a need for more competence is maintenance. A good preventive maintenance program, backed by a fully qualified maintenance mechanic with a strong background in mechanical and electrical is critical. I also understand that no in plant lab testing is being done. Without knowing what your plant is doing in a timely manner, it is hard to make necessary corrections when needed.

Mr. Marks told us Far West has been paying down its debts to all contractors, and this is a requirement of GE Zenon, in order to come to an agreement on payments. This tells me they do have sufficient revenue at the current rates, they just need to manage the money properly.

Finally I believe the operation of the water and sewer should taken over by the users. A **Local improvement District** could be formed. A qualified manager hired, and a board of directors appointed or elected. If ownership stays as is, then the users must be assured there is a total separation of Far West and H&S development. We continue to see evidence that Far West personnel are being used to perform work which benefits H&S Developers. When work is needed by an outside contractor, a competitive bidding process must be used. Sealed bids must be opened publicly with all bidders invited to the opening. A five person board of directors must be appointed from the local user base.

It must be remembered this not just about a rate increase. It is about the ability to competently manage a Water and Sewer District.